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Do as I Say, Not as I Do: An International and Comparative Study of Governments' Rights to "Infringe" Patents in Light of the Federal Circuit's Recent Interpretation of 28 U.S.C. § 1498 and a Call for Congress to Modernize the Statute

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NOTE

DO AS I SAY, NOT AS I DO: AN INTERNATIONAL AND COMPARATIVE STUDY OF GOVERNMENTS' RIGHTS TO "INFRINGE" PATENTS IN LIGHT OF THE FEDERAL CIRCUIT'S RECENT INTERPRETATION OF 28 U.S.C. § 1498 AND A CALL FOR CONGRESS TO MODERNIZE THE STATUTE

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I. INTRODUCTION

"The King can do no wrong, while an individual may."¹ That proposition has long embodied the United States government's² seemingly hypocritical policies regarding how it compensates victims of its tortious acts and eminent domain power, as it operates with *carte blanches vis-à-vis* its sovereign immunity.³ Although immunizing the Government from liability is a necessary evil in order for it to efficiently and effectively operate, the Government has recently traveled beyond the bounds of this rationale and received cooperation from the Federal Circuit to do such.⁴ That is, the Government and its subcontractors are immune from liability when they practice a United States patented process if they do not practice

¹ *Schillinger v. United States*, 24 Ct. Cl. 278, 294 (1889).

² The Federal Government of the United States of America [hereinafter Government].

³ *See, e.g., Schillinger*, 24 Ct. Cl. 278.

⁴ *See Zoltek Corp. v. United States*, 442 F.3d 1345, (Fed. Cir. 2006).

all the steps of the process “within the United States.”⁵ Furthermore, they are immune from liability if they import into the United States patented products made from the aforementioned practiced method patent.⁶

Judge Plager articulated why the Federal Circuit came to such a conclusion, for “there [was] no guidance in the [relevant] statute, in the legislative history, or in the prior cases as to what to make of th[e relevant] provision when the steps of a method patent have been performed [by the Government or its subcontractors] both in and out of the country.”⁷ However, as the learned judge so wisely opined, “that [was] no reason to abandon logical analysis in preference for a policy-rooted and result-driven conclusion.”⁸

In addition, it is possible that the Federal Circuit’s interpretation of section 1498 is in violation of the Agreement on Trade-Related Aspects of Intellectual Property Rights.⁹ Accordingly, Congress must step in and combat this injustice and potential liability by updating section 1498 of Title 28 of the United States Code to provide patentees¹⁰ a remedy for the Government’s, or its subcontractors’, nefarious behavior.¹¹

This paper discusses the history and common law development of the United States law regarding government use of individuals’ patents and section 1498; analyzes section 1498’s compliance with the TRIPS agreement; compares such law to various other countries’ legislative schemes in order to find brilliance which this Author may use for his own legislative proposal; and justifies why such a proposal fills the current legislative gaps while maintaining the relevant policies.

II.

AMERICAN LAW

A. A Concise History

1. The Pavement Case

On July 19, 1870, John Schillinger’s patent for “an improvement in

⁵ *Id.* at 1354 (Garjarsa, J., concurring).

⁶ *See id.* at 1352-53 (majority opinion).

⁷ *Id.* at 1382 (Plager, J., dissenting).

⁸ *Id.* (Plager, J., dissenting).

⁹ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 33 I.L.M. 81 [hereinafter TRIPS].

¹⁰ The terms “patentee,” “patent holder,” and “patent owner” are used interchangeably in this paper to refer to the patent’s assignee.

¹¹ *See* 28 U.S.C. § 1498 (2000).

laying concrete” issued and reissued on May 2, 1871 as RE4364.¹² On July 3, 1871, Schillinger contracted to various individuals, including Charles Creecy, the “exclusive right or license to construct and lay [Schillinger’s] patented pavement . . . within the . . . District of Columbia” in exchange for a set royalty based on square footage.¹³ Four months later, Schillinger and the various individuals (the “Pavement Plaintiffs”) entered into a license agreement with the Artificial Stone Company which granted the company the rights to practice the Schillinger patent in the District of Columbia for ten years in exchange for a royalty rate paid to Schillinger.¹⁴ Approximately two years later, the Artificial Stone Company assigned its rights under the aforementioned agreement to Charles Roberts.¹⁵

About nineteen months later, Edward Clark, the Capitol’s Architect requested bids for “laying concrete pavement required for the improvement of the Capitol Grounds.”¹⁶ Although Creecy and Roberts bid on the improvement, G. W. Cook underbid them and won the contract.¹⁷ Schillinger put Clark on notice that Cook would be infringing the Schillinger patent; however, Clark and his staff could not determine whether the Schillinger patent was valid and furthermore believed that “the interest of the Government . . . would best be [s]erved by giving the contract to the lowest bidder.”¹⁸ Accordingly, between 1875 and 1881, Cook laid 236,571 square feet of pavement and the Government paid him \$67,432.93.¹⁹ From 1882 until 1885, a series of assignments resulted in the patent rights²⁰ vesting with Creecy.²¹

a. Court of Claims’ Decision

The Pavement Plaintiffs brought an action in the United States Court of Claims against the United States based on a theory of breach of “implied contract for the use, upon the Capitol Grounds, of a patent for improvement in pavements.”²² Assuming the Schillinger patent was valid and Cook’s cement pavement infringed said patent, the court addressed the sole issue as to whether a contract existed between the Pavement Plaintiffs and the

¹² Schillinger v. United States, 24 Ct. Cl. 278, 279 (1889).

¹³ *Id.* at 279-80.

¹⁴ *See id.* at 281-82.

¹⁵ *See id.*

¹⁶ *Id.* at 283.

¹⁷ *See id.*

¹⁸ *Id.* at 287.

¹⁹ *See id.* at 285.

²⁰ Those patent rights which were subject to the suit below.

²¹ Schillinger, 24 Ct. Cl. at 285-92.

²² *Id.* at 291-92.

United States Government.²³ The court held that no contract could be implied between the Pavement Plaintiffs and the Government and, accordingly, the Pavement Plaintiffs were seeking compensation for a “denial of private right in an alleged patent” that the Government happened to use, whereby said “use [was] in the nature of a tort” and such a tort action against the Government was not within the court’s jurisdiction.²⁴ In fact, the only recourse was for Congress to compensate the Pavement Plaintiffs and Congress denied their appeal.²⁵ The court reasoned that the Government never acknowledged the Pavement Plaintiffs’ rights in the Schillinger patent – as Clark and his staff could not conclude whether the Schillinger patent was valid – nor that Cook’s cement pavement infringed the Schillinger patent and, therefore, no compensation was justified because the Government did not act through its “competent agent” to take or use private property while “acknowledging explicitly or tacitly that the property [was] individual property.”²⁶ The court believed that “the taking of intangible property” differed from “the taking of tangible party” because a “the Government’s use of a patent right” does not “*per se*” cause the patentee loss; “whereas if a tangible article be appropriated the owner instantly becomes so much the poorer.”²⁷ The court summarized its legal findings by stating that:

[I]f the Government actually acquire[d] the property, even though the act of an agent not competent, a contract to pay for it is implied; while the use of a patented process or article may directly deprive the owner of nothing of intrinsic value, but be simply an invasion of a right, an act which, to bind the Government, must be performed by a competent agent.²⁸

b. Supreme Court’s Decision

In 1894, the Supreme Court heard the appeal and affirmed the lower court’s decision that the Pavement Plaintiffs lacked a cause of action against the Government.²⁹

i. Justice Brewer’s Majority Opinion

Writing for the majority, Justice Brewer stated the principle that the Government “cannot be sued in their courts without” Congress’ consent and

²³ See *id.* at 293.

²⁴ *Id.* at 298.

²⁵ *Id.* at 292.

²⁶ *Id.* at 292, 298.

²⁷ *Id.* at 298-99.

²⁸ *Id.* at 299.

²⁹ See *Schillinger v. United States*, 155 U.S. 163 (1894).

“the court may not go, no matter how beneficial they may deem or in fact might be their possession of a larger jurisdiction over the liabilities of the Government.”³⁰ The majority interpreted Congress’ authorization for the Court of Claims to hear, *inter alia*, “claims founded upon the Constitution . . . or any contract, expressed or implied, with the Government . . . in cases *not* sounding in tort” to exclude claims of patent infringement.³¹ First, the Supreme Court noted that the Pavement Plaintiffs’ claim of patent infringement was “sounding in tort” because:

Here the claimants never authorized the use of the patent right by the [G]overnment; never consented to, but always protested against it; threatening to interfere by injunction or other proceedings to restrain such use. There was no act of congress in terms directing or even by implication suggesting, the use of the patent. No officer of the [G]overnment directed its use, and the contract which was executed by Cook did not name or describe it. There was no recognition by the [G]overnment or any of its officers of the fact that in the construction of the pavement there was any use of the patent, or that any appropriation was being made of claimants’ property. The [G]overnment proceeded as though it were acting only in the management of its own property and the exercise of its own rights, and without any trespass upon the rights of the claimants. There was no point in the whole transaction from its commencement to its close where the minds of the parties met, or where there was anything in the semblance of an agreement. So, not only does the petition count upon a tort, but also the findings show a tort.³²

Finally, the Supreme Court noted that Cook may have used the process embodied within the Schillinger patent to construct the pavement and by the Government consenting to Cook’s use it was “also liable as a joint tortfeasor.”³³ Nonetheless, the majority found that such an action would also be “sounding in tort” and thus the Government was immune from suit arising out of that action as well.³⁴

ii. Justice Harlan’s Dissenting Opinion

Justice Harlan, joined by Justice Shiras, wrote the dissenting opinion in which he cited the principle that the Government grants patentees an exclusive right and thus may not “appropriate[] or use[]” a patented

³⁰ *Id.* at 166.

³¹ *Id.* at 167, 170 (citing Act of March 3, 1887, ch. 359, 24 Stat. 505 (providing for the bringing of suits against the Government of the United States)) (emphasis added).

³² *Id.* at 170.

³³ *Id.* at 171-72.

³⁴ *Id.* at 172.

invention without compensating the patent holder.³⁵ In short, the dissent determined that:

[W]hen the government, by its agent, knowingly uses or permits to be used for its benefit a valid patented invention, it is liable to suit in the Court of Claims for the value of such use, and that its *liability arises out of contract based upon the constitutional requirement that private property shall not be taken for public use without just compensation.*³⁶

In the case at hand, the Government granted Clark broad authority to spend public funds “according to specified plans,” Clark intentionally allowed the use of the Schillinger patent, “not disputing the rights of the patentee, but leaving the question of validity . . . to judicial determination.”³⁷

In addition, the dissent believed that exclusive of finding a contract, “the claim to have just compensation for . . . an appropriation of private property to the public use [was] founded upon the Constitution” and thus within Congress’ jurisdictional grant to the Court of Claims.³⁸

2. *The Gun Carriage Case*

Fried. Krupp Aktiengesellschaft (Fried), a German company, held United States Patent Nos. 772,724, 772,725 and 791,347 which issued in 1903, 1903 and 1905, respectively, regarding “improvements in guns and gun carriages.”³⁹ Fried claimed that William Crozier used and manufactured various products which infringed the aforementioned patents.⁴⁰ Crozier, a United States Army officer, stipulated that the Government manufactured and used “field guns and carriages” which Fried alleged infringed its patents.⁴¹ Accordingly, Fried brought suit in the District of Columbia.⁴² In short, the trial court dismissed the case because it lacked jurisdiction, as “the suit was really against the United States”; however, the appellate court reversed the trial court’s decision because it contended that the suit was against a United States officer to keep him from infringing the patentee’s rights, not against the Government for property in which it was already using and possessing.⁴³ The Supreme Court granted writ.⁴⁴

³⁵ *Id.* at 173 (Harlan, J., dissenting) (quoting *James v. Campbell*, 104 U.S. 356, 357 (1881)).

³⁶ *Id.* at 178-79 (emphasis added).

³⁷ *Id.* at 178.

³⁸ *Id.* at 179 (internal quotations omitted).

³⁹ *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 297 (1912).

⁴⁰ *Id.* at 298.

⁴¹ *Id.* at 299.

⁴² *See id.*

⁴³ *Id.* at 300-01.

⁴⁴ *Id.* at 301.

a. Supreme Court's Decision

By the time the Supreme Court heard the case, Congress passed section 1498's predecessor (the "1910 Act") which read as follows:

An Act to Provide Additional Protection for Owners of Patents of the United States, and for Other Purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the court of claims: Provided, however, That said court of claims shall not entertain a suit or reward compensation under the provisions of this act where the claim for compensation is based on the use by the United States of any article heretofore owned, leased, used by, or in the possession of, the United States: Provided further, That in any such suit the United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement, as set forth in title sixty of the Revised Statutes or otherwise: And provided further, That the benefits of this act, shall not inure to any patentee who, when he makes such claim, is in the employment or service of the government of the United States; or the assignee of any such patentee; nor shall this act apply to any device discovered or invented by such employee during the time of his employment or service.⁴⁵

The Supreme Court acknowledged that the law before the passage of the 1910 Act was that as described in *Schillinger* and that Congress passed the 1910 Act because it was "inspired by the injustice of [the *Schillinger*] rule."⁴⁶

The Supreme Court referred to "the intangible nature—patent rights—of the property taken" and expressed that "there [was] no room for doubt that the statute makes full and adequate provision for the exercise of the power of eminent domain for which, considered in its final analysis, it was the purpose of the statute to provide."⁴⁷ The Supreme Court concluded that because the Government exercised its "right of eminent domain" to acquire "a license to use the patented inventions in question," Fried had no right to injunctive relief against Crozier and thus the trial court should rehear the case under the 1910 Act.⁴⁸

⁴⁵ *Id.* at 302-03 (quoting Act of June 25, 1910, ch. 423, 36 Stat. 851 (providing additional protection for owners of patents of the United States)) (emphasis added).

⁴⁶ See *id.* at 303-304 (citing *Schillinger v. United States*, 155 U.S. 163 (1894)); see also *supra* Part II.A.1.b.i (discussing *Schillinger*, 155 U.S. 163).

⁴⁷ *Crozier*, 224 U.S. at 306-07.

⁴⁸ *Id.* at 308-09.

3. *The Dam Case*

E. P. Jacobs owned farms along a creek in Alabama.⁴⁹ In 1925, the Government constructed a dam on the Tennessee River which “caused an increase in the occasional overflows of [Jacobs’s] lands.”⁵⁰ After negotiations with the Government proved to be “inadequate,” Jacobs brought suit against the Government under the Tucker Act for taking his property without providing him with “just compensation.”⁵¹ The trial court found in favor of Jacobs; however, the Fifth Circuit reversed the trial court’s decision.⁵² The Supreme Court granted writ and entered its decision in 1933.⁵³

a. The Supreme Court’s Decision

Justice Hughes, writing for the Court, disagreed with the Fifth Circuit by finding that Jacob’s suit was:

[B]ased on the right to recover just compensation for property taken by the United States for public use in the exercise of its power of eminent domain. That right was guaranteed by the Constitution. The fact that condemnation proceedings were not instituted and that the right was asserted in suits by the owners did not change the essential nature of the claim. *The form of the remedy did not qualify the right.* It rested upon the Fifth Amendment. Statutory recognition was not necessary. A promise to pay was not necessary. Such a promise was implied because of the duty to pay imposed by the amendment. The suits were thus founded upon the Constitution of the United States.⁵⁴

Accordingly, the Supreme Court ordered the Government to pay Jacobs “just compensation.”⁵⁵

B. Pertinent Statutory Test

Before February 24, 1855, a patentee’s only recourse against the Government for infringement was vis-à-vis an appeal to Congress.⁵⁶ Thereafter, an act of Congress authorized the Court of Claims to hear, inter alia, “claims founded upon the Constitution . . . or any contract, expressed

⁴⁹ *Jacobs v. United States*, 290 U.S. 13, 15 (1933) (reference to Jacobs includes E. P. Jacobs and the executor of his estate, Augustus Gunter).

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *See id.* at 15-16.

⁵³ *See id.*

⁵⁴ *Id.* at 16 (internal citations omitted) (emphasis added).

⁵⁵ *Id.* at 17-18.

⁵⁶ *Schillinger v. United States*, 155 U.S. 163, 166 (1894).

or implied, with the Government . . . in cases *not* sounding in tort.”⁵⁷ In 1910, Congress consented to private suits against the Government to provide a remedy against it using patentees’ inventions.⁵⁸ In 1918, Congress afforded government contractors and employees the immunity from patent liability arising out of their government-authorized work “to encourage these contractors to undertake work that would aid the war effort.”⁵⁹ In 1942, Congress further supplemented the statute with language “to clarify that actions against the United States employees or contractors were barred and replaced by an action against the United States.”⁶⁰ In 1960, Congress added subsection (c), which addresses infringing behavior in foreign countries.⁶¹

The modern embodiment of section 1498 states:

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner’s remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

....

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

....

(c) The provisions of this section shall not apply to any claim arising in a foreign country.⁶²

⁵⁷ *Id.* (citing Act of March 3, 1887, ch. 359, 24 Stat. 505 (providing for the bringing of suits against the Government of the United States)) (emphasis added).

⁵⁸ *Zoltek Corp. v. United States*, 51 Fed. Cl. 829, 836 (2002) (citing Act of June 25, 1910, ch. 423, 36 Stat. 851 (providing additional protection for owners of patents of the United States)).

⁵⁹ *Zoltek Corp. v. United States*, 58 Fed. Cl. 688, 691 n.5 (2003) (internal citations omitted).

⁶⁰ *Zoltek Corp. v. United States*, 442 F.3d 1345, 1369 n.3 (Fed. Cir. 2006) (Dyk, J., concurring) (citing Pub. L. No. 77-768, § 6, 56 Stat. 1013, 1014 (1942); S. Rep. No. 77-1640, at 5 (1942)).

⁶¹ *Id.* at 1381.

⁶² 28 U.S.C. § 1498 (2000).

C. Common Law Interpretation of Modern Statutory Law

1. The Zoltek Case

Zoltek Corporation holds United States Reissue Patent No. RE34,162 which embodies a method for manufacturing “silicon carbide fiber sheet products used by the F-22 fighter program.”⁶³ The Government “contracted with Lockheed Martin Corporation to design and build the F-22 fighter”⁶⁴ and Lockheed “subcontracted with other companies to provide fiber sheet products for the F-22 fighter”⁶⁵ which ultimately are “used in making military aircraft with a low radar signature, the so-called ‘stealth’ aircraft.”⁶⁶ The subcontractors manufactured the fibers in Japan. One subcontractor processed the fibers into sheet products in Japan and then imported them into the United States; whereas, the other subcontractor did the processing in the United States.⁶⁷

a. Court of Federal Claims’ Decisions

Zoltek brought suit against the Government claiming “that the process used by or for” it in the manufacture of “silicon carbide fiber mats and prepreps used in the F-22 fighter aircraft” infringed RE34,162 and sought compensation under section 1498.⁶⁸ The Government moved for partial summary judgment claiming that Zoltek could not recover for infringement of RE34,162 because section 1498 does not apply to “claim[s] arising in a foreign country.”⁶⁹ “This case present[ed] an unusually difficult question of law and statutory interpretation.”⁷⁰ The court contended that the Government’s motion depended on whether section 1498(c) “precludes recovery from the [Government] for the use of a patented process without a license where at least some elements of the process claim are practiced outside of the United States by a government contractor.”⁷¹

First, the court determined that section 1498(c) “was intended as an affirmative defense for the [G]overnment” and thus it has the burden of proving that the claims arose in a foreign country.⁷² Next, the court found

⁶³ Zoltek Corp. v. United States, 51 Fed. Cl. 829, 830-831 (2002).

⁶⁴ Zoltek Corp., 51 Fed. Cl. at 831.

⁶⁵ *Id.* at 831.

⁶⁶ Zoltek Corp. v. United States, 442 F.3d 1345, 1371 (Fed. Cir. 2006) (Plager, J., dissenting).

⁶⁷ *Id.* at 1349 (majority opinion).

⁶⁸ Zoltek Corp., 51 Fed. Cl. at 831 (citations omitted).

⁶⁹ *Id.* at 832.

⁷⁰ *Id.* at 834.

⁷¹ *Id.* at 831-32.

⁷² *Id.* at 833.

that “for infringement to occur in a foreign country, *all* elements or processes that comprise infringement must take place in a foreign country.”⁷³ The court reasoned that according to the statute’s context, the word “claim” refers to an “infringement claim” – that is, the “entire legal claim against the [Government]” – not a claim in a patent.⁷⁴ Otherwise, the word “claim” would have no meaning in section 1498(b), which refers to copyright “claim[s].”⁷⁵ Moreover, “at the time that section 1498(c) was enacted, because a private citizen could avoid infringing a patent by practicing one limitation in a foreign country, section 1498(c) was also intended to exempt the . . . Government from liability where any part of the invention was practiced outside the United States.”⁷⁶ Although a 1988 amendment to the Patent Act increased the scope of infringement between private parties to include “those who import patented products, or products made by a patented process,” the court refused to read section 1498 to encompass a cause of action for similar acts.⁷⁷

Next, the court proposed that “interpreting section 1498(c) to bar” infringement claims where the Government or its subcontractors practices some steps of a patented process outside the United States and imports products made from said process “might violate the Fifth Amendment” or may be in itself a Fifth Amendment taking.⁷⁸ Accordingly, the court ordered both parties to brief those issues.⁷⁹ In addition, after the aforementioned order, the court allowed the parties to brief section 1337 of Title 19 and the “headquarters claim doctrine.”⁸⁰

In the court’s opinion in which it addressed the parties’ additional briefings, it first held that section 1337 does not affect Zoltek’s case because the court lacked jurisdiction to hear the issue.⁸¹ That is, the International Trade Commission (ITC) has exclusive jurisdiction to hear section 1337 cases, Zoltek did not present this issue to the ITC, and, therefore, “there [was] no justiciable case or controversy” regarding a possible section 1337 claim.⁸² The court acknowledged that section 1337 references “the procedures of section 1498,” but did address “the relationship between [sections] 1498[] and 1337.”⁸³

⁷³ *Id.* at 834 (emphasis added).

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.* at 836.

⁷⁷ *Id.* at 836-37 (citing 35 U.S.C. § 271(a), (g)).

⁷⁸ *Id.* at 839.

⁷⁹ *Id.*

⁸⁰ *Zoltek Corp. v. United States*, 58 Fed. Cl. 688, 691 (2003).

⁸¹ *See id.* at 694-95.

⁸² *See id.*

⁸³ *Id.* at 695.

Next, the court explained that the Government would win on the merits unless Zoltek was entitled to recovery under the Tucker Act for the Government taking its private property “for public use, without just compensation.”⁸⁴ The court noted that “patent rights” have consistently been regarded as “property rights” and that when the Government infringes one’s patent then the Government has “‘taken’ the patent license under an eminent domain theory, and compensation is the just compensation required by the [F]ifth [A]mendment.”⁸⁵ That is, section “1498’s basis” is in “eminent domain” and the Supreme Court interpreted section 1498’s early twentieth century predecessor as “converting . . . patent infringement” by the Government “into a rightful appropriation by the [G]overnment pursuant to the power of eminent domain.”⁸⁶

In addition, the court held that, notwithstanding section 1498, Zoltek has a cause of action against the Government for taking its patent rights and the “Tucker Act provides the U.S. Court of Federal Claims with jurisdiction to hear [such] takings claims.”⁸⁷ The court reasoned that, before 1910, such jurisdiction was unavailable to patentees because of the holding in *Schillinger*; however, “*Crozier* effectively overruled *Schillinger* sub silentio and reinstated the theory”⁸⁸ that the Government may not appropriate a patentee’s property rights – that is, the exclusive patent rights – without paying the patentee “just compensation.”⁸⁹ The court contended that section 1498 and the Tucker Act dovetail each other because “[w]hen read together they both confer jurisdiction on th[e] court to hear Zoltek’s claim, albeit for different rights.”⁹⁰ Furthermore, the court refused to alter its interpretation of section 1498 in light of the headquarters doctrine.⁹¹

Accordingly, the court denied the Government’s motion for partial summary judgment, as the court found that section 1498 did not limit the cause of action available to Zoltek under the Tucker Act.⁹² Because Zoltek did not “allege[] in its complaint (original or amended) that a taking has occurred outside of [section] 1498” and, moreover, “what type of taking it [was]”, the court gave Zoltek the opportunity to amend its complaint within 14 days of the order.⁹³

⁸⁴ *Id.* at 695-96 (citing U.S. CONST. amend. V; 28 U.S.C. § 1491 (2000)).

⁸⁵ *Id.* at 696 (quoting *Leesona Corp. v. United States*, 220 Ct. Cl. 234 (1979) (emphasis omitted); citing *Decca Ltd. v. United States*, 225 Ct. Cl. 326 (1980)).

⁸⁶ *Id.* at 697, 699 (citing *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305 (1912)).

⁸⁷ *Id.* at 700.

⁸⁸ *Id.* at 702.

⁸⁹ *Id.* (quoting *James v. Campbell*, 104 U.S. 356, 357-58 (1881)).

⁹⁰ *Id.* at 704.

⁹¹ *See id.* at 706-07.

⁹² *Id.* at 707; *see id.* at 704.

⁹³ *Id.* at 706-07 (emphasis omitted).

b. Federal Circuit's Decisions

On interlocutory appeal were two issues: first, whether the trial court correctly concluded that it lacked jurisdiction under section 1498 to hear Zoltek's patent infringement claim against the Government because not all steps of the infringed process occurred within the United States; and second, whether the trial court correctly determined that it had jurisdiction to hear Zoltek's patent infringement claim against the Government as a Fifth Amendment taking under the Tucker Act.⁹⁴ The Federal Circuit affirmed the trial court on the former issue, that is, that Zoltek could not assert its claims under section 1498.⁹⁵ Specifically, because the Federal Circuit in *NTP, Inc. v. Research in Motion, Ltd.* stated that "direct infringement under section 271(a) [of Title 35] is a necessary predicate for government liability under section 1498" and a process cannot be used "within" the United States as required by section 271(a) unless each of the steps is performed "within" the United States, the court found that "where . . . not all steps of a patented process have been performed in the United States, government liability does not exist" under section 1498.⁹⁶

In contrast, the Federal Circuit's view of Zoltek's ability to receive recovery under the Tucker Act deviated from the trial court's holding.⁹⁷ In particular, the Federal Circuit held that *Schillinger* was still good law and, accordingly, *Crozier* did not overrule *Schillinger* because *Crozier* "was not filed in the Court of Claims, had nothing to do with the Tucker Act, did not allege a taking, and was solely in equity."⁹⁸ Moreover, the Federal Circuit contended that "by enacting the 1910 Act, Congress 'added the right to sue the United States in the court of claims' for patent infringement."⁹⁹

The Federal Circuit dismissed relying upon the language of the 1910 Act or the Supreme Court's "discussion of [the 1910 Act] in *Crozier*" as "affect[ed by] the rule in *Schillinger*" because Congress' "adopt[ion of] a limited waiver of sovereign immunity and confer[ence of] rights on patentees for money damages against the [G]overnment . . . cannot disturb the Supreme Court's analysis of the Fifth Amendment in *Schillinger*."¹⁰⁰ Furthermore, the majority felt that the "'property interests . . . are not created by the Constitution'" but "'are defined by existing rules . . . that stem from an independent source such as state law'" – not like "patent

⁹⁴ See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1347 (Fed. Cir. 2006).

⁹⁵ See *id.*

⁹⁶ *Id.* at 1350 (citing *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1316, 1318 (Fed. Cir. 2005)).

⁹⁷ See *id.*

⁹⁸ *Id.* at 1351.

⁹⁹ *Id.* (quoting *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 304 (1912)).

¹⁰⁰ *Id.* at 1352 (emphasis omitted).

rights [which] are a creature of federal law.”¹⁰¹ Likewise, the majority stated that an interpretation of the Tucker Act to give Zoltek a cause of action would “render superfluous [section] 1498—the remedy that Congress fashioned specifically to compensate patentees for the use of their patents by the . . . [G]overnment.”¹⁰² Accordingly, the majority reversed the trial court’s finding “that Zoltek could allege patent infringement as a Fifth Amendment taking under the Tucker Act.”¹⁰³

i. Judge Gajarsa’s Concurring Opinion

Judge Gajarsa added that the majority’s opinion “does not depend for its validity on NTP, as it is also supported by an independent line of reasoning.”¹⁰⁴ Although he agreed that the court was “bound” by the *NTP* rule – that is, “that ‘direct infringement under section 271(a) is a necessary predicate for government liability under section 1498’” – he felt that the rule was “an unchecked propagation of error in [Federal Circuit] case law, and its viability may eventually be challenged.”¹⁰⁵ Judge Garjarsa identified four types of situations which may test section 1498: first, where the Government or its subcontractors practice all the steps of a patented process within the United States; second, where the Government or its subcontractors practice all of the steps of a patented process on foreign soil; third, where the Government or its subcontractors practice only the last step on foreign soil; and fourth, where the Government or its subcontractors practice the last step in the United States.¹⁰⁶ Judge Garjarsa contended that only in the first scenario would a patentee have an action against the Government under section 1498.¹⁰⁷

ii. Judge Dyk’s Concurring Opinion

Judge Dyk concurred with the majority’s ruling; however, in contrast to Judge Garjarsa, Judge Dyk contended “that the government can only be liable for infringement under section 1498(a) if the same conduct would render a private party liable for infringement under section 271(a).”¹⁰⁸ Judge Dyk agreed with the Supreme Court in *Richmond Screw Anchor Co. v. United States*, that the courts “must presume that Congress in the passage

¹⁰¹ *Id.* (quoting *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1001 (1984)).

¹⁰² *Id.* at 1353.

¹⁰³ *Id.* (emphasis omitted).

¹⁰⁴ *Id.* (Gajarsa, J., concurring).

¹⁰⁵ *Id.* (quoting *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1316 (Fed. Cir. 2005)).

¹⁰⁶ *See id.* at 1360.

¹⁰⁷ *See id.* at 1362-66.

¹⁰⁸ *Id.* at 1368 (Dyk, J., concurring).

of the act of 1918 intended to secure to the owner of the patent the *exact equivalent* of what it was taking away from him.”¹⁰⁹ Moreover, Judge Dyk felt the 1942 amendment solidified his belief that *Research in Motion* “correctly held” that “whether the [Government] had a lawful right to use the invention turned on whether a private party would have had such a right.”¹¹⁰ Judge Dyk concluded by agreeing with the majority that *Zoltek* lacked any action under the Tucker Act to assert a Fifth Amendment taking against the Government and acknowledged that “[t]here [was] no occasion” in *Zoltek Corp. v. United States* “to determine whether claims for infringement liability under [sections] 271(f) and 271(g) may be brought in suits against the government.”¹¹¹

iii. Judge Plager’s Dissenting Opinion

In addressing the takings issue, Judge Plager articulated the policy goal behind “just compensation” of “mak[ing] the property owner whole.”¹¹² Judge Plager argued “that the rights in an issued patent are property” and, accordingly, the holder of a patent to which the Government infringed should be made whole.¹¹³

The dissenting judge contended that “there is a way, unrelated to infringement law and unique to the Government, through which a patentee’s right to exclude others may be obtained,” that is, an action against the Government pursuant to the Tucker Act.¹¹⁴ Plager recognized the majority’s stance against individuals bringing such an action and he slammed the majority’s acceptance and interpretation of *Schillinger* – the case on which the majority based its rationale.¹¹⁵ Specifically, that the majority “equate[d] the taking claim with an infringement action” when “[t]he tort of patent infringement is statutorily based and defined, and exists at the discretion of Congress;” whereas, “the right to just compensation for a taking is constitutional, it is not a tort, and it requires no legislative blessing.”¹¹⁶ Plager embraced Justice Harlan’s dissent in *Schillinger* where, approximately 132 years earlier, Justice Harlan stated that “[i]f the claim here made to be compensated for the use of a patented invention is not founded upon the constitution of the United States, it would be difficult

¹⁰⁹ *Id.* at 1369-70 (quoting *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928)) (emphasis added); see also *supra* Part.II.B.

¹¹⁰ *Zoltek Corp.*, 442 F.3d at 1368 (Dyk. J., concurring); see also *supra* Part.II.B.

¹¹¹ *Zoltek Corp.*, 442 F.3d at 1370 n.4 (Dyk. J., concurring) (emphasis omitted).

¹¹² *Id.* at 1373 (Plager, J., dissenting).

¹¹³ *Id.* at 1374 (citing 35 U.S.C. § 261 (1982) (“[P]atents shall have that the attributes of personal property.”)).

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 1373.

¹¹⁶ *Id.* at 1375.

to imagine one that would be of the character.”¹¹⁷

Dismissing the Supreme Court’s reasoning in *Schillinger* as being part of the early growing pains of the “*then*-new Tucker Act provision,” Judge Plager instead accepted the Supreme Court’s decision in *Jacobs*, in which “the identity of a separate, non-statutory, constitutional basis for takings remedies under the Fifth Amendment emerged.”¹¹⁸ That is, “a cause of action under the Fifth Amendment’s taking clause is understood to be neither a tort claim nor a contract claim, but a separate cause arising out of the self-executing language of the Fifth Amendment.”¹¹⁹ Moreover, Judge Plager emphasized that the Court of Federal Claims has jurisdiction over such actions vis-à-vis the first clause of the amended Tucker Act.¹²⁰

With respect to the section 1498 issue, Judge Plager found, *inter alia*, that there is no linkage between section 271(a) and section 1498 and, furthermore, “[a] cause of action does not ‘arise’ in a place just because any one step of a multi-step process patent occurs there.”¹²¹ Next, the dissenting judge explained that:

[T]he basic policy underlying [section] 1498 is that when the Government has allegedly benefited from infringing conduct by its contractors or subcontractors, and when fairness decrees that the Government be held responsible for its wrongs—the fundamental principle underlying section 1498(a)—then the fact that one or another step of a process occurred outside the United States should not alone immunize the Government from liability.¹²²

Likewise, no foundation in policy or law exists which would immunize the Government “from liability . . . for the wrongful conduct of its agents just because any one step of a multi-step patented method can be found to have occurred outside the United States.”¹²³ Relying on *Crozier*, Judge Plager concluded that “[t]o the extent [section] 1498 is understood to incorporate into its provisions the entitlements provided by the Fifth Amendment’s ‘taking’ clause, any statutory limitation providing less than just compensation would be unconstitutional.”¹²⁴ That is, even if a patentee’s remedy is constrained to a statute – section 1498 – then the provisions must still satisfy the constitutional requirements – the Fifth

¹¹⁷ *Id.* at 1375-76 (quoting *Schillinger v. United States*, 155 U.S. 163, 179 (1894) (Harlan, J., dissenting)).

¹¹⁸ *Id.* at 1376 (citing *Jacobs v. United States*, 290 U.S. 13 (1933)) (emphasis added).

¹¹⁹ *Id.*

¹²⁰ *See id.* at 1377 (Plager, J., dissenting) (citing *Hendler v. United States*, 952 F.2d 1364 (Fed. Cir. 1991)).

¹²¹ *Id.* at 1382.

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.* at 1384.

Amendment.¹²⁵ Accordingly, Judge Plager held that that Zoltek established “a cause of action under [section] 1498 for which relief could be granted” with respect to only the processing done in both the United States and in Japan.¹²⁶

iv. *Petition for Rehearing En Banc*

Zoltek filed a petition for rehearing en banc and after the authorized circuit judges polled their colleagues as to whether to grant a rehearing of Zoltek’s appeal en banc, the Federal Circuit denied Zoltek’s request.¹²⁷ In addition to denying the rehearing en banc, the court denied a petition for rehearing.¹²⁸

Judge Newman dissented from denying Zoltek’s petition for rehearing en banc claiming that the majority’s holding was “contrary to decision, statute, policy, and constitutional right.”¹²⁹ The dissenting judge found it atrocious that the majority rested their reasoning on *Schillinger*, a case which *Crozier* “laid . . . to rest” and “is almost a century out of date.”¹³⁰ Judge Newman explained that *Crozier* “establish[ed] that the government’s right to use patent property was based on eminent domain and subject to the Fifth Amendment” and found it “curious indeed for this court, a century later, to resurrect *Schillinger*’s long-rejected and long-overruled decision.”¹³¹ Judge Newman listed four cases of primary authority which stated “the premise that patents are property and subject to the Fifth Amendment.”¹³² Furthermore, “*Schillinger* did not change the property status of patents and did not discuss constitutional principles; the only issue was whether the Court of Claims had jurisdiction under the Tucker Act.”¹³³

Judge Newman concluded by bringing the court’s attention to the Congressional Record during the time when the 1910 Act became law:

[E]very time that the United States Government assumes to take forcibly, without the consent of the owner, a patented process, it violates the constitutional provision which says no man’s property shall be taken without compensation and without due process of law.¹³⁴

¹²⁵ *Id.* at 1385.

¹²⁶ *Id.*

¹²⁷ See *Zoltek Corp. v. United States*, 464 F.3d 1335, 1335 (Fed. Cir. 2006) (en banc).

¹²⁸ *Id.*

¹²⁹ *Id.* at 1336 (Newman, J., dissenting).

¹³⁰ *Id.* at 1337, 1338.

¹³¹ *Id.* at 1336 (citing *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 307 (1912)).

¹³² *Id.* (citing *Florida Prepaid Postsecondary Educ. Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999) (“Patents, however, have long been considered a species of property.”)).

¹³³ *Id.* at 1337.

¹³⁴ *Id.* at 1338 (citing 45 CONG. REC. 8755, 8780 (1910) (quoting Frank Dunklee Currier,

Judge Dyk, joined by Judge Gajarsa, wrote a concurring opinion in which he underscored that the only remedy for private parties against the Government “for patent misuse” is the “right of action against the [G]overnment for unauthorized use of a patent” under section 1498.¹³⁵

III. RELEVANT TREATIES: TRIPS

A. *Agreement's Text*

The relevant TRIPS agreement provisions are as follows:

Article 28

Rights Conferred

1. A patent *shall* confer on its owner the following *exclusive* rights:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product;

(b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or *importing* for these purposes at least *the product obtained directly by that process*.

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts.

....

Article 30

Exceptions to Rights Conferred

Members may provide *limited* exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not *unreasonably conflict* with a normal exploitation of the patent and do not *unreasonably prejudice* the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

Article 31

Other Use Without Authorization of the Right Holder

Where the law of a Member allows for other use¹³⁶ of the subject matter of a patent without the authorization of the right holder,

Chairman of the House of Representatives Committee on Patents).

¹³⁵ *Id.* at 1339 (Dyk., J., concurring) (citing 28 U.S.C. § 1498 (2000)).

¹³⁶ See TRIPS, *supra* note 10, art. 31, n.7 (“‘Other use’ refers to use other than that allowed under Article 30.”).

including *use by the government* or third parties authorized by the government, the following provisions *shall* be respected:

....

(b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. *This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public noncommercial use.* In situations of national emergency or other circumstances of extreme urgency, *the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use,* where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, *the right holder shall be informed promptly;*

....

(h) *the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;*

....

Article 44

Injunctions

....

2. Notwithstanding the other provisions of this Part and provided that the provisions of Part II specifically addressing *use by governments, or by third parties authorized by a government*, without the authorization of the right holder are complied with, *Members may limit the remedies available against such use to payment of remuneration in accordance with subparagraph (h) of Article 31.* In other cases, the remedies under this Part shall apply or, where these remedies are inconsistent with a Member's law, declaratory judgments and adequate compensation shall be available.¹³⁷

B. American Law may not be in Compliance with TRIPS

After the Federal Circuit's holding in *Zoltek*, it is clear that patentees lack a cause of action against the Government if the Government or its subcontractors imports products created from a patented process which the Government or its subcontractors did not practice all the steps within the

¹³⁷ TRIPS, *supra* note 10, arts. 28, 30-31, 44 (emphasis added).

United States.¹³⁸ This Author contends that such an interpretation of American law may be in violation of Articles 28, 30, 31, and 44 of the TRIPS agreement.¹³⁹ In summary, Article 28 establishes that process patents must afford its holders the “exclusive right,” *inter alia*, “to prevent third parties” from “importing . . . the product obtained directly that process”; Article 30 allows for signatories to provide “limited exceptions” to Article 28 as long as those “exceptions do not unreasonable conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking into account the legitimate interests of third parties”; Article 31 “allows” for government use of patents – or the use by third parties which are authorized by its respective government – as long as the patentee is notified of the government use within a reasonable amount of time and the patentee is “paid adequate remuneration” for the government use; and Article 44 allows signatories to “limit the remedies available against” unauthorized government use to “payment of remuneration” as detailed in Article 31.¹⁴⁰

Taking Article 30 out of the equation, American law is clearly in violation of TRIPS, as Zoltek was denied payment of any form of compensation – and may not have been notified of such use – after a government contractor imported a product made directly from Zoltek’s patented process for the Government’s use.¹⁴¹ However, Article 30 makes the existence of a violation less clear. That is, under Article 30 the United States may create “limited exceptions” to the “exclusive rights” of Article 28, which includes the exclusive right to “prevent” – for example – government contractors from importing products manufactured from patented processes. Whether such exceptions are in conformance with TRIPS depends on determining whether the exceptions (1) are “limited”; (2) “do not unreasonably conflict with a normal exploitation of the patent”; and (3) “do not unreasonably prejudice the legitimate interests of the patent owner, taking into account the legitimate interests of third parties.”

Legal commentators have noted that “a WTO dispute panel has already narrowed the interpretation of ‘limited’ use to mean a ‘small diminution’ of the general rights of a patentee” and that “[t]he complete lack of any restrictions on or requirements for the [G]overnment’s use of private patents under [section] 1498(a) is unlikely to pass muster” as the

¹³⁸ See *Zoltek Corp.*, 442 F.3d 1345; *supra* Part II.C.1.b.

¹³⁹ See TRIPS, *supra* note 10, arts. 28, 30-31, 44; see also LiLan Ren, *A Comparison of 28 U.S.C. § 1498(a) and Foreign Statutes and an Analysis of § 1498(a)’s Compliance with TRIPS*, 41 Hous. L. Rev. 1659, 1677-79 (2005) (discussing possibility of section 1498 conflicting with Articles 28 and 30).

¹⁴⁰ See TRIPS, *supra* note 10, arts. 28, 30-31, 44.

¹⁴¹ See *Zoltek Corp.*, 442 F.3d 1345; TRIPS, *supra* note 10, arts. 28, 30-31, 44; see also *supra* Part II.C.1.b.

“WTO reject[ed] Canada’s argument that . . . ‘limited’ . . . should be [broadly] interpreted according to its ordinary meaning.”¹⁴² By interpreting Article 30 too broadly, a WTO panel would render Article 31 meaningless, as the right of a patentee to receive compensation for government use is a provision that “*shall* be respected.”¹⁴³ It seems unlikely that a WTO panel would allow a signatory to create exceptions to exclusive rights which, in practice, would remove entire Articles.¹⁴⁴

Furthermore, allowing such a limitation would “unreasonably conflict with a normal exploitation of the patent”¹⁴⁵ because, in a situation like *Zoltek* where defense contracting is exclusively done vis-à-vis the Government, it could cost the patentee its entire market share for its patented invention.¹⁴⁶ For those same reasons, this would also cause “unreasonabl[e] prejudice” to the patentee’s “legitimate interests” and, in short, no third party interests could likely outweigh the patent holder’s loss because the only third parties benefiting are the alleged unauthorized users of the patent – that is, the Government and its subcontractor Lockheed Martin.¹⁴⁷ In fact even where there are significant third party interests, a WTO panel has held against the unauthorized government user.¹⁴⁸

Accordingly, this Author finds that Article 28 creates an exclusive right for patentees to prevent imports of products made from their patented processes which Article 30 probably cannot exempt for government use.¹⁴⁹ Consequently, under Article 31 the Government may violate this exclusive right and authorize others to violate said right, but the Government must, in exchange, give notice¹⁵⁰ and pay compensation to the patentee; otherwise, the Government is not in compliance with the TRIPS agreement.¹⁵¹ For those reasons, the Federal Circuit’s interpretation of section 1498 and the Fifth Amendment in *Zoltek* may be in violation of the TRIPS agreement and should be overruled by Congress amending section 1498.¹⁵²

¹⁴² Ren, *supra* note 140, at 1678-78, n.136 (internal citations omitted).

¹⁴³ See TRIPS, *supra* note 10, arts. 30-31.

¹⁴⁴ *Id.*

¹⁴⁵ TRIPS, *supra* note 10, art. 30

¹⁴⁶ See *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

¹⁴⁷ See *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

¹⁴⁸ See, e.g., Ren, *supra* note 140, at 1679 (discussing WTO panel holding against Canada that “providing . . . low cost medication to be in violation of TRIPS”).

¹⁴⁹ See generally TRIPS, *supra* note 10, arts. 28-30.

¹⁵⁰ This Author lacks any evidence as to whether the Government gave *Zoltek* notice and this issue should be further explored as it may comprise a separate violation of the TRIPS agreement. See TRIPS, *supra* note 10, art. 31.

¹⁵¹ See TRIPS, *supra* note 10, arts. 28, 30-31, 44.

¹⁵² See TRIPS, *supra* note 10, arts. 28, 30-31, 44; see *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

IV. OTHER STATUTORY LAWS

A. Australian Law

1. Statutory Text

The modern embodiment of Australia's Patents Act¹⁵³ states:

Schedule 1—Dictionary

Section 3

In this Act, unless the contrary intention appears:

exploit, in relation to an invention, includes:

(a) where the invention is a product—make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or

(b) *where the invention is a method or process—use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.*

....

163 Exploitation of inventions by Crown

(1) Where, at any time after a patent application has been made, *the invention concerned is exploited by the Commonwealth or a State* (or by a person authorised in writing by the Commonwealth or a State) for the services of the Commonwealth or the State, the exploitation is *not an infringement*:

(a) if the application is pending—of the nominated person's rights in the invention; or

(b) if a patent has been granted for the invention—of the patent.

(2) A person may be authorised for the purposes of subsection (1):

(a) before or after any act for which the authorisation is given has been done; and

(b) before or after a patent has been granted for the invention; and

(c) even if the person is directly or indirectly authorised by the nominated person or patentee to exploit the invention.

(3) Subject to section 168, an invention is taken for the purposes of

¹⁵³ The legislature's amendments passed in 2000 did not affect the provisions listed in this paper; see Patents Amendment (INNOVATION PATENTS) Act, 2000, c. 17 (Austl.).

this Part to be exploited for services of the Commonwealth or of a State if the exploitation of the invention is necessary for the proper provision of those services within Australia.

164 Nominated person or *patentee to be informed of exploitation*

As soon as practicable after an invention has been exploited under subsection 163(1), the relevant authority must inform the applicant and the nominated person, or the patentee, of the exploitation and give him or her any information about the exploitation that he or she from time to time reasonably requires, unless it appears to the relevant authority that it would be contrary to the public interest to do so.

165 *Remuneration and terms for exploitation*

(2) *The terms for the exploitation of the invention (including terms concerning the remuneration payable to the nominated person or the patentee) are such terms as are agreed, or determined by a method agreed, between the relevant authority and the nominated person or the patentee or, in the absence of agreement, as are determined by a prescribed court on the application of either party.*

(3) For the purposes of subsection (2), the terms, or the method, may be agreed before, during or after the exploitation.

(4) When fixing the terms, the court may take into account any compensation that a person interested in the invention or the patent has received, directly or indirectly, for the invention from the relevant authority.

165A *Exploitation of invention to cease under court order*

(1) *A prescribed court may, on the application of the nominated person or the patentee, declare that the exploitation of the invention by the Commonwealth or the State is not, or is no longer, necessary for the proper provision of services of the Commonwealth or of the State if the court is satisfied that, in all the circumstances of the case, it is fair and reasonable to make the declaration.*

(2) *The court may further order that the Commonwealth or the State is to cease to exploit the invention:*

- (a) on and from the day specified in the order; and
- (b) subject to any conditions specified in the order.

In making the order, the court is to ensure that the legitimate interests of the Commonwealth or of the State are not adversely affected by the order.

....

167 *Sale of products*

(1) *The right to exploit an invention under subsection 163(1) includes*

the right to sell products made in exercise of that right.

(2) Where under subsection 163(1) the sale of products is not an infringement of:

(a) a patent; or

(b) a nominated person's rights in the products;

the buyer, and any person claiming through the buyer, is entitled to deal with the products as if the relevant authority were the patentee or the nominated person.

168 Supply of products by Commonwealth to foreign countries

Where the Commonwealth has made an agreement with a foreign country to supply to that country products required for the defence of the country:

(a) the use of a product or process by the Commonwealth, or by a person authorised in writing by the Commonwealth, for the supply of that product is to be taken, for the purposes of this Chapter, to be use of the product or process by the Commonwealth for the services of the Commonwealth; and

(b) the Commonwealth or the authorised person may sell those products to the country under the agreement; and

(c) the Commonwealth or the authorised person may sell to any person any of the products that are not required for the purpose for which they were made.

169 Declarations that inventions have been exploited

(1) Subject to subsection (4), a patentee who considers that the patented invention has been exploited under subsection 163(1) may apply to a prescribed court for a declaration to that effect.

(2) In proceedings under subsection (1):

(a) the alleged relevant authority is the defendant; and

(b) the alleged relevant authority may apply by way of counter-claim in the proceedings, for the revocation of the patent.

(3) The provisions of this Act relating to the revocation of patents apply, with the necessary changes, to a counter-claim.

(4) An application under subsection (1) in respect of an innovation patent cannot be made unless the patent has been certified.

....

Part 3—Acquisitions by and assignments to the Crown

171 Acquisition of inventions or patents by Commonwealth

(1) *The Governor-General may direct that a patent, or an invention*

that is the subject of a patent application, be acquired by the Commonwealth.

(2) When a direction is given, all rights in respect of the patent or the invention are, by force of this subsection, transferred to and vested in the Commonwealth.

(3) *Notice of the acquisition must be:*

(a) *given to the applicant* and the nominated person, or the patentee; and

(b) published in the *Official Journal* and the *Gazette* unless, in the case of the acquisition of an invention that is the subject of an application for a patent, a prohibition order, or an order under section 152, is in force in respect of the application.

(4) *The Commonwealth must pay a compensable person such compensation as is agreed between the Commonwealth and the person or, in the absence of agreement, as is determined by a prescribed court on the application of either of them.*¹⁵⁴

2. Comparison to American Law

The text of Australia's Patents Acts contains all the protections that section 1498 affords patentees; however, it goes further in defending the patentee's rights.¹⁵⁵ First, in section 163, the Australian statute goes out of its way to define government use or "exploitation" – or the use by others whom are authorized by the government – "*not [as] an infringement*" but as rights "*taken.*"¹⁵⁶ Such a provision may have saved the American courts from the Fifth Amendment interpretation difficulties it faced while qualifying the exploitation of patents by the Government.¹⁵⁷

Second, under section 165A, the Australian statute gives the patentee the ability to challenge its government's use by establishing, in court, that such exploitation is "*not, or is no longer necessary for the proper provision of services of the*" Australian government.¹⁵⁸ Under section 1498 and *Zoltek*, the American patentee has no such right; whereas, the Australian patentee has an opportunity to make a claim like an American non-patent property owner has under the Fifth Amendment, that is, that the taking is

¹⁵⁴ Patents Act, 1990, c. 17 (Austl.), available at <http://scaleplus.law.gov.au/html/pasteact/1/545/rtf/Patents1990.rtf> [hereinafter Australian Act] (emphasis added).

¹⁵⁵ Compare 28 U.S.C. § 1498 (2000), and *Zoltek Corp.*, 442 F.3d 1345 with Australian Act, *supra* note 155.

¹⁵⁶ Australian Act, *supra* note 155, § 163 (emphasis added).

¹⁵⁷ See, e.g., *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

¹⁵⁸ Australian Act, *supra* note 155, § 165A.

not “for public use.”¹⁵⁹ Third, under section 164, the Australian statute mandates that notice be given to the patentee when the Australian government exploits the patentee’s invention.¹⁶⁰ Finally, the Patents Act’s definition of “exploit” includes using the “process or do[ing] any act mentioned in paragraph (a) in respect of a product resulting from such use.”¹⁶¹ The referenced paragraph (a) refers to “import[ing]” products.¹⁶² Therefore, unlike in American law, Australian patentees are entitled to compensation when their government – or persons authorized by the government – import products made from the Australian patentees’ patented processes.¹⁶³

B. British Law

1. Statutory Text

The modern embodiment of the United Kingdom’s Patents Act states:

Use of patented inventions for services of the Crown

55.-(1) Notwithstanding anything in this Act, *any government department and any person authorised in writing by a government department may, for the services of the Crown and in accordance with this section, do any of the following acts in the United Kingdom in relation to a patented invention without the consent of the proprietor of the patent, that is to say -*

(a) where the invention is a product, may -

(i) make, use, *import* or keep the product, or sell or offer to sell it where to do so would be incidental or ancillary to making, using, importing or keeping it; or

(ii) in any event, sell or offer to sell it for foreign defence purposes or for the production or supply of specified drugs and medicines, or dispose or offer to dispose of it (otherwise than by selling it) for any purpose whatever;

(b) *where the invention is a process, may use it or do in relation to any product obtained directly by means of the process anything mentioned in paragraph (a) above;*

(c) without prejudice to the foregoing, where the invention or any product obtained directly by means of the invention is a specified drug

¹⁵⁹ Compare 28 U.S.C. § 1498 (2000), *Zoltek Corp.*, 442 F.3d 1345, and U.S. CONST. amend. V with Australian Act, *supra* note 155.

¹⁶⁰ Australian Act, *supra* note 144, § 164.

¹⁶¹ Australian Act, *supra* note 144, § 3(b).

¹⁶² Australian Act, *supra* note 144, § 3(a).

¹⁶³ Compare *Zoltek Corp.*, 442 F.3d 1345 with Australian Act, *supra* note 155.

or medicine, may sell or offer to sell the drug or medicine;

(d) may supply or offer to supply to any person any of the means, relating to an essential element of the invention, for putting the invention into effect;

(e) may dispose or offer to dispose of anything which was made, used, imported or kept in the exercise of the powers conferred by this section and which is no longer required for the purpose for which it was made, used, imported or kept (as the case may be),

and anything done by virtue of this subsection shall not amount to an infringement of the patent concerned.

(2) Any act done in relation to an invention by virtue of this section is in the following provisions of this section referred to as use of the invention; and "use", in relation to an invention, in sections 56 to 58 below shall be construed accordingly.

....

(4) So far as the invention has not been so recorded or tried, any use of it made by virtue of this section at any time either -

(a) after the publication of the application for the patent for the invention; or

(b) without prejudice to paragraph (a) above, in consequence of a relevant communication made after the priority date of the invention otherwise than in confidence;

shall be made on such terms as may be agreed either before or after the use by the government department and the proprietor of the patent with the approval of the Treasury or as may in default of agreement be determined by the court on a reference under section 58 below.

(5) Where an invention is used by virtue of this section at any time after publication of an application for a patent for the invention but before such a patent is granted, and the terms for its use agreed or determined as mentioned in subsection (4) above include terms as to payment for the use, then (notwithstanding anything in those terms) any such payment shall be recoverable only -

(a) after such a patent is granted; and

(b) if (apart from this section) the use would, if the patent had been granted on the date of the publication of the application, have infringed not only the patent but also the claims (as interpreted by the description and any drawings referred to in the description or claims) in the form in which they were contained in the application immediately before the preparations for its publication were completed by the Patent Office.

(6) The authority of a government department in respect of an invention may be given under this section either before or after the patent is

granted and either before or after the use in respect of which the authority is given is made, and may be given to any person whether or not he is authorised directly or indirectly by the proprietor of the patent to do anything in relation to the invention.

(7) Where any use of an invention is made by or with the authority of a government department under this section, then, *unless it appears to the department that it would be contrary to the public interest to do so, the department shall notify the proprietor of the patent* as soon as practicable after the second of the following events, that is to say, the use is begun and the patent is granted, and furnish him with such information as to the extent of the use as he may from time to time require.

....

Compensation for loss of profit

57A.-(1) Where use is made of an invention for the services of the Crown, the government department concerned shall pay -

(a) to the proprietor of the patent, or

(b) if there is an exclusive licence in force in respect of the patent, to the exclusive licensee,

compensation for any loss resulting from his not being awarded a contract to supply the patented product or, as the case may be, to perform the patented process or supply a thing made by means of the patented process.

....

(5) The amount payable shall, if not agreed between the proprietor or licensee and the government department concerned with the approval of the Treasury, be determined by the court on a reference under section 58, and is in addition to any amount payable under section 55 or 57.

....

References of disputes as to Crown use

58.-(1) Any dispute as to -

(a) the exercise by a government department, or a person authorised by a government department, of the powers conferred by section 55 above,

(b) terms for the use of an invention for the services of the Crown under that section,

(c) the right of any person to receive any part of a payment made in pursuance of subsection (4) of that section, or

(d) the right of any person to receive a payment under section 57A, may be referred to the court by either party to the dispute after a patent

has been granted for the invention.¹⁶⁴

2. Comparison To American Law

The text of the United Kingdom's Patents Acts embodies all the rights that section 1498 affords patentees; however, the British protect patentees beyond that in which America does.¹⁶⁵ First, in section 55, the British statute states that the government use under the Patents Act "shall not amount to an infringement of the patent concerned" but rather as "use of the inventionFalse"¹⁶⁶ Second, under sections 55 and 58, the British statute allows the patentee to challenge the British government's use by an in court showing that such use is not "for the services of the Crown" and thus "dispute . . . [the] terms for the use."¹⁶⁷ As aforementioned, under section 1498 and *Zoltek*, the American patentee has no such right; whereas, the British patentee has an opportunity to make a claim like an American non-patent property owner has under the Fifth Amendment, that is, that the taking is not "for public use."¹⁶⁸ Third, under section 55, the British statute mandates that notice be given to the patentee when the British government uses the patentee's invention "unless it would be contrary to the public interest to do so."¹⁶⁹ Finally, section 55 defines government use of a process patent to include "do[ing] in relation to any product obtained directly by means of the process anything mentioned in paragraph (a) above."¹⁷⁰ Paragraph (a) includes "import[ing] . . . the product."¹⁷¹ Therefore, in contrast to American law, British patentees are entitled to compensation when their government – or persons authorized by the government – import products made from the British patentees' patented processes.¹⁷²

¹⁶⁴ Patents Act, 1977, ch. 37, §§ 55, 57A-58, 60 (Eng.), available at <http://www.patent.gov.uk/patentsact1977.pdf> [hereinafter British Act] (as amended up to and including Oct. 1, 2006).

¹⁶⁵ Compare 28 U.S.C. § 1498 (2000), and *Zoltek Corp.*, 442 F.3d 1345 with British Act, *supra* note 165, § 55.

¹⁶⁶ British Act, *supra* note 165, §§ 55, 58 (emphasis added).

¹⁶⁷ British Act, *supra* note 165, § 58(1).

¹⁶⁸ Compare U.S. CONST. amend. V, 28 U.S.C. § 1498 (2000), and *Zoltek Corp.*, 442 F.3d 1345 with British Act, *supra* note 154.

¹⁶⁹ See British Act, *supra* note 154, § 55.

¹⁷⁰ See British Act, *supra* note 154, § 55.

¹⁷¹ See British Act, *supra* note 154, § 55.

¹⁷² Compare *Zoltek Corp.*, 442 F.3d 1345 with British Act, *supra* note 154, § 55; see also *supra* Part II.C.1.b.

C. Israeli Law

1. Statutory Text

The modern embodiment of Israel's Patents Law states:

[Definitions]

1. In this Law-

....

"*exploitation of an invention*"-

(1) in respect of an invention that is a product-any act that is one of the following: production, use, offer for sale, sale, or import for purposes of one of the said acts;

(2) *in respect of an invention that is a process-use of the process, and in respect of a product directly derived from the process-any act that is one of the following:* production, use, offer for sale, sale, or import for purposes of one of the said acts;

....

Article Three

Use of Inventions in the Interest of the State

[Right of State to exploit invention]

104. *The Minister may permit the exploitation of an invention by Government departments or by an enterprise or agency of the State, whether a patent for it has or has not already been granted or has or has not already been applied for, if he finds that that is necessary in the interests of the National security or of the maintenance of essential supplies and services.*

[Right of State to permit exploitation of invention]

105. *The Minister may, if he finds that that is necessary for the purposes enumerated in section 104, grant a permit under that section to a person who operates under contract with the State, in order to ensure or facilitate the implementation of that contract and for the requirements of the State only.*

[Notice of Grant of exploitation permit]

106. *When a permit has been granted under this Article, the Minister shall notify the owner of the invention or the patent holder and the holder of the exclusive license that the permit was granted and the scope of the permitted use, unless National security requires otherwise.*

Article Four

Obligation of State to Pay Compensation and Royalties

....

[Royalties for use of patents by the State]

108. If a permit was granted under sections 104 or 105, then the State Treasury shall pay to the owner of the invention, to the patent holder or to the holder of an exclusive license, as the case may be, royalties set by agreement between the parties or-in the absence of agreement-set by the compensation and royalties committee.¹⁷³

2. Comparison To American Law

The text of Israel's Patents Law consists of all the protection that section 1498 affords American patentees; however, the Israelis extend rights to patentees in excess to that in which America does.¹⁷⁴ First, it is arguable that because under section 104 the Israeli Minister's discretion "to permit the exploitation of an invention by" the Israeli government is limited to circumstances in which the Minister determines that it "in the interests of [Israel's] national security or of the maintenance of essential supplies and services," that an Israeli patentee could possibly dispute that the Minister acted within her discretion.¹⁷⁵ As mentioned above, under section 1498 and *Zoltek*, the American patentee has no such right; whereas, the Israeli patentee has an opportunity to make a claim like an American non-patent property owner has under the Fifth Amendment, that is, that the taking is not "for public use."¹⁷⁶ Second, under section 106, the Israeli statute requires that the Minister notify the patentee when the Israeli government exploits the patentee's invention "unless National security requires otherwise."¹⁷⁷ Finally, section 1 defines government exploitation of a process patent to include "in respect of a product directly derived from the process-any act that is... import[ing]."¹⁷⁸ Accordingly, contrary to American law, Israeli patentees are entitled to compensation when their government – or persons authorized by the government's minister – import products made from the Israeli patentees' patented processes.¹⁷⁹

¹⁷³ Patents Law, 5727-1967, 510 LSI 148 (1967-68) (Isr.) [hereinafter Israeli Law], (emphasis added), available at http://www.wipo.int/clea/docs_new/en/il/i1001en.html.

¹⁷⁴ Compare 28 U.S.C. § 1498 (2000), and *Zoltek Corp.*, 442 F.3d 1345 with Israeli Law, *supra* note 174.

¹⁷⁵ Israeli Law, *supra* note 174, art. 104.

¹⁷⁶ Compare 28 U.S.C. § 1498 (2000), U.S. CONST. amend. V, and *Zoltek Corp.*, 442 F.3d 1345 with Israeli Law, *supra* note 174, art. 104.

¹⁷⁷ See Israeli Law, *supra* note 174, art. 106.

¹⁷⁸ See Israeli Law, *supra* note 174, arts. 1, 104.

¹⁷⁹ Compare *Zoltek Corp.*, 442 F.3d 1345 with Israeli Law, *supra* note 174.

V.
THE AUTHOR'S LEGISLATIVE PROPOSAL

A. Statutory Text

A BILL

To amend chapter 14 of title 28, United States Code, relating to the infringement of an individual's patent rights by the Government or its subcontractors, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

This Act may be cited as the "Fairness in Government Patent Infringement Act of 2007" (the "Legislation").

SEC. 2. GOVERNMENT USE OF PRIVATE PARTIES' PATENTS

Section 1498 of title 28, United States Code, is amended by adding at the end of subsection (a) the following:

(1) Whenever the Government, a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, without authority,

imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after —

[(i)] it is materially changed by subsequent processes; or

[(ii)] it becomes a trivial and nonessential component of another product."¹⁸⁰

(2) When the Government, or persons or entities which it authorizes, uses a patented invention within the scope of section 1498, the Government shall notify the patent holder within a reasonable time of such use unless notification would be contrary to the public interest.¹⁸¹

¹⁸⁰ 35 U.S.C. § 271(g) (2003).

¹⁸¹ It should be appreciated that the citation in the text of the Author's quoting of statute to 35 U.S.C. § 271(g) is included only for academic integrity purposes and would otherwise

B. Legislative History

1. Takings and Patent Law Policies

The Fifth Amendment reads that “[n]o person shall . . . be deprived of . . . property, without due process of law; nor shall private property be taken for public use, without just compensation.”¹⁸² The language clearly addresses the need of the Government, from time to time, to take private property for the benefit of American society, that is, “for public use”; however, the founders “designed [the Fifth Amendment] to bar [the] Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole” and thus the founders mandated the Government to provide “just compensation” to the injured property owner.¹⁸³

Judges and legal scholars have consistently recognized that “the only dependable foundation of personal liberty is the personal economic security of private property.”¹⁸⁴ The need for a constitutional amendment to give private citizens such a “security” grew out of the founders’ “sensible mistrust of [G]overnment power”; specifically, “the historic reasoning holds that government appetites are—by reason of human nature and [American] political institutions—unlimited, and that the expectation of self-restraint by government to curb effectively its own appetite is a fool’s dream.”¹⁸⁵ Such skepticism grew out “of the American colonial experience” which “led [American] society to place constitutional barriers to obstruct, or at least to impede, all of [the] [G]overnment’s shortcuts in satisfying its varied desires.”¹⁸⁶

Likewise, the policies behind patent law emanate from the Constitution.¹⁸⁷ That is, “Congress shall . . . promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their respective Discoveries.”¹⁸⁸ This language mandates Congress to establish a patent system that gives inventors an incentive – a monopoly vis-à-vis exclusive rights to exploit their inventions and thus

be omitted.

¹⁸² U.S. CONST. amend. V.

¹⁸³ *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

¹⁸⁴ *Zoltek Corp.*, 442 F.3d at 1373 n.5 (Plager, J., dissenting) (citing WALTER LIPPMAN, *THE METHOD OF FREEDOM* 101-02 (1934)).

¹⁸⁵ *Id.*; Bruce Burton, *Regulatory Takings, Private Property Protection Acts, and The “Moragne Principle”: A Proposal For Judicial-Legislative Comity*, 49 S.C. L. REV. 83, 88-89 (1997) (citing *THE FEDERALIST* NO. 51, at 356 (James Madison) (Benjamin Fletcher Wright ed., 1961)).

¹⁸⁶ Burton, *supra* note 186, at 89.

¹⁸⁷ See U.S. CONST. art. I, § 8, cl. 8.

¹⁸⁸ *Id.*

exclude others from doing the same.¹⁸⁹ The Supreme Court has recently recognized that “[t]he monopoly is a property right; and like any property right, its boundaries should be clear. This clarity is essential to promote progress, because it enables efficient investment in innovation. A patent holder should know what he owns, and the public should know what he does not.”¹⁹⁰ Consequently, in exchange for this property right and monopoly, the innovator discloses her entire invention to the public in the form of a patent so the public may build off of the innovator’s genius to create its own innovations.¹⁹¹

This Author cannot come up with any legitimate policies the Government may further by not compensating patentees for the Government’s subcontractors acts of importing products into the United States which were made from the patentees’ patented processes overseas, but subjecting private parties to liability for the same conduct.¹⁹²

First, the *Zoltek* holding will only cause more distrust of the Government, as a recitation of the facts sounds as though the Government allowed a taking of *Zoltek*’s patent without compensation.¹⁹³ Next, there is no legitimate policy reason why *Zoltek* should be forced to individually bear the costs associated with keeping Lockheed Martin’s costs down, so in turn the Government may pay less than the next highest bid.¹⁹⁴ If the Government deems that allowing its subcontractors to use patented processes overseas and import products made from those processes into the United States because, for example, *Zoltek* was unwilling to grant a license to Lockheed Martin for a technology which would benefit the Government’s defense capabilities, then society should share the costs associated with justly compensating *Zoltek* – as Lockheed Martin was exploiting the invention “for public use.”¹⁹⁵ Not paying patentees for the right to exploit their inventions is a questionable area for the Government to begin cutting expenses.

Finally, the Government gives exclusive rights to patentees in exchange for disclosure of their technologies.¹⁹⁶ It has been widely

¹⁸⁹ *See id.*

¹⁹⁰ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 730-31 (2002).

¹⁹¹ *See* U.S. CONST. art. I, § 8, cl. 8.

¹⁹² *See* 19 U.S.C. 1337 (2004); *see also* 35 U.S.C. 271(g) (2003); *see also Zoltek v. United States*, 442 F.3d 1345, 1382 (Fed. Cir. 2006) (Plager, J., dissenting) (dissenting judge also finding no policy reasons).

¹⁹³ *See Zoltek Corp.*, 442 F.3d 1345; *see also supra* Part II.C.1.b.

¹⁹⁴ *See Armstrong v. United States*, 364 U.S. 40, 49 (1960); *see also Zoltek Corp.*, 442 F.3d 1345.

¹⁹⁵ *See Armstrong*, 364 U.S. at 49; U.S. CONST. amend V.

¹⁹⁶ *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-31 (2002).

accepted that the Government may execute a de facto compulsory license “for public use”; however, by not compensating patentees the Government violates its end of the bargain.¹⁹⁷ Most importantly, in areas of defense technology, by not providing compensation in circumstances like that in *Zoltek*, start-up companies may think twice about filing for patents on their innovations before having contracts with the Government—because of a lack of incentive—and this may gradually retard innovation in that sector.¹⁹⁸

2. Problems With The Current State of American Law

The main problem with American law—that is, the American law characterized in this paper—is that while process patentees can prevent private parties from importing products manufactured from the patentees’ patented processes under section 271(g) and section 1337, those same patentees currently have no remedy against the Government or its subcontractors for partaking in the same behavior as said private parties.¹⁹⁹

This Author contends that Congress carelessly drafted section 1498; however, like section 271(a) there should be no liability for one practicing a process patent unless one practices all the steps “within the United States”—such a premise was likely behind section 1498(c).²⁰⁰ To find otherwise would be to extend American law too far; however, protecting patentees from imports created from the unauthorized use of patented processes seems like a logical medium in which United States patentees are protected without overextending United States law.

This Author believes that Judge Plager was partially correct in that the exclusive rights given to patent holders in exchange for disclosure of their invention are property rights; private citizens and entities are liable to patent holders under section 271(g) and section 1337 for importing products into the United States made from patented processes even if the one practiced the processes outside the United States; and, therefore, the Government or its subcontractors partaking in that same conduct results in a taking of the patentee’s exclusive right which requires a payment of “just compensation.”²⁰¹ Unfortunately, the majority of Federal Circuit judges feel differently about the takings issue and thus legislative change is the

¹⁹⁷ U.S. CONST. amend V.

¹⁹⁸ See *Festo Corp.*, 535 U.S. at 730-31; see also *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

¹⁹⁹ See 19 U.S.C. § 1337 (2004); see also 35 U.S.C. § 271(g) (2003); see also *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

²⁰⁰ 35 U.S.C. § 271(a) (2003); see 28 U.S.C. § 1498 (1998).

²⁰¹ See U.S. CONST. amend. V; see also 19 U.S.C. § 1337 (2004); see also 28 U.S.C. § 1498 (1998); see also 35 U.S.C. § 271 (2003); see also *Zoltek Corp.*, 442 F.3d at 1376 (Plager, J., dissenting).

only practical way to fairly compensate patentees for the Government's unauthorized use.²⁰²

America's allies do it differently, that is, Australia, the United Kingdom, and Israel all pay forms of compensation to patentees for such government use and the TRIPS agreement arguably requires such.²⁰³ Because this Author believes that the tort of patent infringement is different from the Government taking an exclusive patent right, it is necessary to amend section 1498 to reflect the changes in section 271, that is, they do not impliedly reference each other.²⁰⁴ Subsection 1 of the Legislation reflects these necessary changes by *importing* the language from section 271(g) regarding imported products made from patented processes in section 1498.²⁰⁵ Such a change would require the Government to reasonably compensate patentees for such unauthorized exploitation overseas as soon as the fruits of that unauthorized exploitation reach America's shores. Chiefly, this would have given Zoltek a remedy against the Government for Lockheed Martin's behavior and provide some sort of compensation for the research and development Zoltek put into their innovation.²⁰⁶

In addition, Australia, the United Kingdom, Israel, and TRIPS all mandate notice to be given to patentees when the government uses or exploits the patentees' inventions and that is why this Author added subsection 2 to the Legislation.²⁰⁷ Although giving notice is the general rule under the Legislation, the Author contends that circumstances will likely arise where giving notice will be against America's national security interest or some other important societal interest and thus the Author added the exception to the Legislation to provide for such circumstances.

VI.

CONCLUSION

In addressing Congress, Abraham Lincoln spoke that "it is 'as much the duty of government to render prompt justice against itself, in favor of citizens, as it is to administer the same between private individuals.'"²⁰⁸

²⁰² See *Zoltek Corp.*, 464 F.3d 1335 (en banc).

²⁰³ See Australian Act, *supra* note 155; see also British Act, *supra* note 165; see also Israeli Law, *supra* note 174; see also TRIPS, *supra* note 10, arts. 28, 30-31, 44.

²⁰⁴ See 35 U.S.C. § 271 (2003); see also 28 U.S.C. § 1498 (1998); see also *Zoltek Corp.*, 442 F.3d at 1376 (Plager, J., dissenting).

²⁰⁵ See 28 U.S.C. § 1498 (1998); see also 35 U.S.C. § 271(g) (2003).

²⁰⁶ *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

²⁰⁷ Australian Act, *supra* note 155; British Act, *supra* note 165; Israeli Law, *supra* note 174; TRIPS, *supra* note 10, arts. 28, 30-31, 44.

²⁰⁸ *United States v. Mitchell*, 463 U.S. 206, 213 (1983) (citing CONG. GLOBE, 37th Cong., 2d Sess., app. 2 (1862)).

Unless the Government and its subcontractors cease importing products into the United States made from others' patented processes overseas then more American businesses will suffer at the reigns of the *Zoltek* decision and section 1498.²⁰⁹ Instead of waiting for similar cases to come before the Federal Circuit and for the mere possibility that the Supreme Court will grant writ and happen to reverse *Zoltek*, Congress should step in and ratify legislation which embodies the amendment to section 1498 depicted in the Legislation.²¹⁰

²⁰⁹ See *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

²¹⁰ See *Zoltek Corp.*, 442 F.3d 1345; see also *supra* Part II.C.1.b.

